

Performance Based Regulation: Business Engagement Assessment

CAP 1345

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1. Introduction

The Civil Aviation Authority (CAA) exists to protect the interests of the public – in Safety, Market Regulation and Consumer Protection. The CAA's Safety and Airspace Regulation Group (SARG) is introducing a new approach to overseeing and improving aviation safety known as Performance Based Regulation (PBR). The introduction of PBR involves several changes to the way SARG carries out its oversight responsibilities and collects, analyses and uses safety risk information.

The purpose of this Business Engagement Assessment is to gather stakeholder's views on the changes, the reasons for making them, how much they cost to adopt and the expected benefits. The questions at the end of the document are included to prompt feedback. We appreciate your input. Thank you.

2. The reasons for introducing PBR

The UK's excellent aviation safety record is underpinned by a system of prescriptive rules, regulations and standards for those organisations providing aviation products and services to meet, and against which the CAA regularly checks they are compliant. As the prescriptive system has matured, its potential to deliver further safety improvements (for example by adding more rules) has become limited. As with many regulated sectors, the production of rules often lags well behind developments in technology, business models and consumer trends, making them less and less fit for purpose. With the number of flights forecast to rise and the pace of change across the aviation industry set to increase, there is a general consensus that safety regulation must also evolve to remain relevant, effective and deliver the required safety outcomes.

The idea that regulators should gather more, better information about safety risks and use it to prompt pre-emptive action before they develop into incidents is well established, especially in EASA and ICAO. EASA has highlighted the creation of risk-based regulations and proactive or leading safety performance indicators as two of its strategic goals¹. ICAO adopted Annex 19 on Safety Management in 2013 that calls for a new approach to the State-level oversight and improvement of aviation safety². In addition, the UK Government's Better Regulation Principles require regulators to reduce the burden associated with existing rules and to regulate only when necessary in a manner that is targeted, proportionate, and informed by a comprehensive assessment of risk³. The introduction of PBR, whilst principally focused on the improvement of aviation safety, also aims to address the requirements in Annex 19 and deliver on the EASA and UK Better Regulation ambitions for a more risk-based approach.

1 [European Aviation Safety Agency](#)

2 [International Civil Aviation Organisation, Annex 19](#)

3 [UK Government Better Regulation Delivery Office](#)

3. Description of the changes associated with the introduction of PBR

The introduction of PBR aims to strengthen and standardise SARG's approach to safety oversight and improvement. A wide range of regulatory processes and functions are affected including the way we assess risks, carry out oversight, prioritise resources and deliver safety improvement projects. The changes can be grouped into five new areas of activity for SARG:

1. Consistently gathering and analysing safety risk information about all parts of an organisation's operations and capturing them in one place. For example, looking at the organisation as a whole, a typical large airline operates aircraft, maintains aircraft and trains pilots and crew. PBR will collate the risks associated with each part of the organisation and analyse them together as a single regulated entity.
2. Assessing the performance of each regulated entity to manage its safety risks effectively and agreeing with the entity's Accountable Manager the actions that are needed to uphold standards and further enhance safety.
3. Grouping safety risk information about entities into sectors of the industry with similar types of operation (e.g. Small Aerodromes, Off Shore Helicopters, Large Airlines etc.) to create a better understanding of the top risks to UK passengers and the General Public posed by the total aviation system and good practice approaches to managing them.
4. Making more informed decisions about the safety outcomes that we and the industry should aim to deliver to better manage the top risks and setting out the actions required of different stakeholder groups (entities, sectors, EASA, ICAO etc.) to achieve them.
5. Directing regulatory resources proportionately to oversight activity and safety improvement projects that focus our attention on the entities and sectors where standards are not being upheld or there is the significant potential to enhance safety.

Some of these activities already take place in parts of the CAA, but they are not joined-up by consistently applied standard processes or controlled by a single management system. The relationship between the new activities, and our conventional regulatory approach, can be illustrated as a cycle (see figure 1). The first two activities in the cycle that focus on bringing together safety risk and performance assessments about individual regulated entities is known as Performance Based Oversight (PBO). Activities 3, 4 and 5 form part of the CAA's new Regulator Safety Management System (RSMS) that governs all of our safety related risk analysis, decision-making and resource allocation. Our compliance focused oversight (box a.) and current safety improvement projects (box b.) both feed information into the PBO process that in turn feeds the RSMS, ensuring that on-going oversight and safety project work is risk based, targeted and proportionate.